

# Appropriations for FY2005: VA, HUD, and Independent Agencies

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This report is a guide to one of the 13 regular appropriations bills that Congress considers each year. It is designed to supplement the information provided by the House and Senate Appropriations Subcommittees on the Department of Veterans Affairs, Housing and Urban Development, and Independent Agencies. It summarizes the status of the bill, its scope, major issues, funding levels, and related congressional activity, and is updated as events warrant. The report lists the key CRS staff relevant to the issues covered and related CRS products.

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## SUMMARY

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# Appropriations for FY2005: VA, HUD, and Independent Agencies

On February 2, 2004, the Administration presented its proposed FY2005 budget to Congress for the Departments of Veterans Affairs (VA) and Housing and Urban Development (HUD), and several Independent Agencies, including the Environmental Protection Agency (EPA), the National Aeronautics and Space Administration (NASA), and the National Science Foundation (NSF). On November 20, 2004, the House and Senate approved the Consolidated Appropriations Act of FY2005 (H.Rept. 108-792, H.R. 4818) providing \$129.0 billion for VA/HUD and Independent Agencies, nearly \$5.5 billion (4.4%) above FY2004 appropriations of \$123.5 billion and \$1.7 billion more than the Administration's request of \$127.2 billion. On December 8, 2004, the President signed the funding bill into law: P.L. 108-447. However, the figures in this report do not include an across-the-board rescission of 0.80% that will be applied to all discretionary appropriations.

Some departments or agencies fared better than others as the Congress faced strong pressures to limit all non-defense discretionary spending. The Department of Veterans Affairs will be funded at nearly \$66 billion, \$4.1 billion more than FY2004 appropriations and \$1.2 billion above the President's budget. The Administration's request once again included new user fees at healthcare facilities and increased copayments for pharmaceuticals—proposals that were not adopted.

HUD received \$32.0 billion, \$838 million more than FY2004 appropriations. The sizable increase provided for the Section 8 voucher program, about \$1 billion above FY2005 and nearly \$1.8 billion more than the Administration request, made it necessary to cut all other agency programs, including the Community Development Fund (down \$225 million from FY2004 appropriations), HOME (down \$91 million), housing for the elderly (down \$27 million), housing opportunities for persons with AIDS (down \$11 million), and homeless assistance grants (down \$9 million). The controversial initiative proposed by the Administration, the Flexible Voucher Program (FVP), intended to control spending under the Section 8 rental voucher program, was not adopted, but the use of budget-based funding continues.

The conferees agreed to \$8.1 billion for EPA, a cut of \$278 million from FY2004 appropriations of \$8.4 billion, with \$274 million less than last year for assistance grants to state, local, and tribal environmental protection programs, primarily involving water resources. The Superfund received \$1.3 billion, equal to the FY2004 level. The National Science Foundation will be funded at \$5.5 billion, about \$61 million less than the prior year, including a \$91 million reduction in education and human resources.

The conferees approved \$16.2 billion for NASA for FY2005, an increase of \$822 million (5.3%) over the prior year to cover the increased costs associated with the Hubble servicing and repair mission and the shuttle return-to-flight activities, with the agency given almost total funding flexibility.

This report will not be updated.

## **Most Recent Developments**

### **Consolidated Appropriations Act, 2005 Signed into Law**

On December 8, 2004, the President signed an omnibus spending bill, H.R. 4818 (P.L. 108-447) that provides \$129.0 billion, 4.4% above FY2004 appropriations.

### **H.Con.Res. 528 Approved**

On December 6, 2004, the House approved the amendment to H.Con.Res. 528 that the Senate had passed on November 20, 2004, correcting the enrollment of H.R. 4818 to lower the across-the-board rescission.

### **House and Senate Approve Third Continuing Resolution, H.J. Res. 115**

On November 24, 2004, both the House and Senate agreed to H.J.Res. 115, which funded all non-defense agencies at FY2004 levels through December 8, 2004.

### **House and Senate Pass Consolidated Appropriations Act, 2005**

The Consolidated Appropriations Act, 2005 (Conference Report H.Rept. 108-792, H.R. 4818) was passed by the House and Senate on November 20, 2004.

### **Senate Appropriations Committee Approves S. 2825**

On September 21, 2004, the Senate Appropriations Committee approved S. 2825 (S.Rept. 108-353) recommending \$130.0 billion for FY2005, almost \$6.6 billion more than the FY2004 appropriations and \$2.8 billion above the Administration's request of \$127.2 billion.

### **House Appropriations Committee Approves H.R. 5041**

On July 22, 2004, the House Appropriations Committee approved H.R. 5041 (H.Rept. 108-674, reported on September 9, 2004) recommending \$128.0 billion for FY2005, \$4.6 billion above the FY2004 appropriations and \$801 million more than the Administration's request of \$127.2 billion.

### **Administration Submits Budget**

On February 2, 2004, the President submitted the Administration's FY2005 budget to Congress, requesting \$127.2 billion for VA, HUD, and Independent Agencies.

## **Status**

Budget figures in this report for FY2004 and FY2005 are from the House Appropriations Committee's funding tables found in H.Rept. 108-792, beginning on page H10177 of the *Congressional Record* of November 20, 2004. These figures do not reflect an across-the-board rescission of 0.80% to be applied to discretionary accounts.

**Table 1. Status of VA, HUD and Independent Agencies Appropriations, FY2005**

Subcommittee markup		Committee markup H.Rept. 108-674	Passed House	Committee markup S.Rept. 108-353	Passed Senate	Omnibus conference reported	Conference report H.Rept. 108-792		P.L. 108-447 signed
House	Senate						House	Senate	
07/20		07/22		09/21		11/19	11/20	11/20	12/08

## Total Appropriations Enacted for FY2004 and Requested for FY2005 for VA, HUD, and Independent Agencies

**Table 2. Summary of VA, HUD, and Independent Agencies Appropriations, FY2004 to FY2005**  
(budget authority in \$ billions)

Department or Agency	FY2004 enacted	FY2005 request	FY2005 House Comm.	FY2005 Senate Comm.	FY2005 Conf.
Department of Veterans Affairs	\$61.8	\$64.8	\$66.0	\$66.1	\$66.0
Department of Housing and Urban Development	31.2	31.5	32.6	32.2	32.0
Environmental Protection Agency	8.4	7.8	7.8	8.5	8.1
National Aeronautics and Space Administration	15.4	16.2	15.1	16.4	16.2
National Science Foundation	5.6	5.7	5.5	5.7	5.5
Other Independent Agencies	1.1	1.2	1.1	1.1	1.1
<i>mandatory</i>	32.7	35.1	35.1	35.1	35.1
<i>discretionary</i>	90.8	92.1	92.9	94.9	93.9 <sup>a</sup>
<b>Total: VA, HUD, and Independent Agencies (net)</b>	<b>\$123.5</b>	<b>\$127.2</b>	<b>\$128.0</b>	<b>\$130.0</b>	<b>\$129.0</b>

**Source:** H.Rept. 108-792, H.R. 4818.

- a. The FY2005 Consolidated Appropriations Act (P.L. 108-447) requires a rescission equal to 0.80% of all discretionary accounts. The Act also includes \$31 million in Community Development Funds outside of the HUD appropriations that are included in the bill total, but are not included in the HUD total.

# Title I: Department of Veterans Affairs

**Table 3. Department of Veterans Affairs Appropriations, FY2000 to FY2004**

(budget authority in \$ billions)

	FY2001	FY2002	FY2003	FY2004	FY2005
VA	\$47.95	\$52.38	\$58.10	\$61.85	\$65.96

**Source:** Amounts for FY2001-FY2004 are from reports of the Appropriations Committees accompanying the appropriations bills for the following years. The amount for FY2005 is from funding tables in H.Rept. 108-792 and does not include an across-the-board rescission of 0.80% that is to be applied to all discretionary accounts. Actual final spending levels for any fiscal year include all supplemental appropriations or rescissions. Final totals remain uncertain until all program experience has been recorded, a process that may not be completed for several months after the end of the fiscal year.

## Agency Mission

Federal policy toward veterans recognizes the importance of their service to the nation and the effect that service may have on their subsequent civilian lives. The Department of Veterans Affairs (VA) administers, directly or in conjunction with other federal agencies, programs that provide cash benefits and other services to veterans and their dependents and beneficiaries. The three primary organizations in VA that work together to accomplish this mission are the Veterans Benefits Administration (VBA), the Veterans Health Administration (VHA), and the National Cemetery Administration (NCA). The benefits provided include compensation for disabilities sustained or worsened as a result of active duty military service; pensions for totally disabled, poor war veterans; cash payments for certain categories of dependents and/or survivors; education, training, rehabilitation, and job placement services to assist veterans upon their return to civilian life; loan guarantees to help them obtain homes; free medical care for conditions sustained during military service as well as medical care for other conditions, much of which is provided free to low-income veterans; life insurance to enhance financial security for their dependents; and burial assistance, flags, grave sites, and headstones when they die.

**Table 4. Appropriations: Department of Veterans Affairs, FY2004 to FY2005**

(budget authority in \$ billions)

Program	FY2004 enacted	FY2005 request	FY2005 House Comm.	FY2005 Senate Comm.	FY2005 Conf.
Compensation, pension, burial	\$29.845	\$32.608	\$32.608	\$32.608	\$32.608
Readjustment benefits	2.530	2.556	2.556	2.556	2.556
Insurance/indemnities	0.029	0.044	0.044	0.044	0.044
Housing program (net, indefinite)	0.306	-0.100	-0.100	-0.100	-0.100
<b>Subtotal: Mandatory</b>	<b>32.710</b>	<b>35.108</b>	<b>35.108</b>	<b>35.108</b>	<b>35.108</b>
Medical services	16.662	—	19.499	17.199	19.473

Program	FY2004 enacted	FY2005 request	FY2005 House Comm.	FY2005 Senate Comm.	FY2005 Conf.
Two-year funding	1.100	—	—	1.100	—
Emergency funding	—	—	—	1.200	—
Medical administration	4.971	—	4.705	4.705	4.705
Medical facilities	3.976	—	3.745	3.745	3.745
Medical prosthetic research	0.406	0.385	0.385	0.406	0.406
Medical care	—	25.353	—	—	—
Two-year funding	—	1.396	—	—	—
Rescission	-0.270	—	—	—	—
Medical care cost collect. <sup>a</sup>					
(offsetting receipts)	-1.555	-2.002	-2.002	-2.002	-2.002
(appropriations indefinite)	1.555	2.002	2.002	2.002	2.002
<b>Subtotal: Medical programs and administration (appropriations)</b>	<b>26.845</b>	<b>27.133</b>	<b>28.333</b>	<b>28.354</b>	<b>28.328</b>
<b>[Total available for VHA] (including receipts)</b>	<b>[28.399]</b>	<b>[29.135]</b>	<b>[30.335]</b>	<b>[30.356]</b>	<b>[30.330]</b>
General administration expenses (total)	1.276	1.325	1.320	1.400	1.325
National Cemetery Administration	0.143	0.149	0.149	0.149	0.149
Inspector General	0.062	0.065	0.070	0.065	0.070
Construction	0.522	0.690	0.690	0.690	0.690
Grants; state facilities	0.101	0.105	0.105	0.105	0.105
State veteran cemeteries	0.032	0.032	0.032	0.032	0.032
Housing program admin.	0.154	0.154	0.154	0.154	0.154
Other loan funds	0.001	0.001	0.001	0.001	0.001
<b>Subtotal: Discretionary (including medical programs and administration)</b>	<b>29.136</b>	<b>29.654</b>	<b>30.854</b>	<b>30.949</b>	<b>30.854<sup>b</sup></b>
<b>Total</b>	<b>\$61.845</b>	<b>\$64.762</b>	<b>\$65.962</b>	<b>\$66.057</b>	<b>\$65.962</b>

Sources: H.Rept. 108-674, H.R. 5041, S.Rept. 108-393, S. 2825 H.Rept. 108-792, H.R. 4818.

- a. Medical Care Collections Fund (MCCF) receipts are restored to the VHA as an indefinite budget authority equal to the revenue collected, estimated to be \$2 billion in FY2005.
- b. The FY2005 Consolidated Appropriations Act (P.L. 108-447) requires a rescission equal to 0.80% of all discretionary accounts.

## Key Budget Issues

P.L. 108-447 includes almost \$66 billion for VA with the \$30.9 billion in discretionary funding subject to the 0.80% across-the-board rescission also included in the new law. The \$30.9 billion is the amount approved by the House Appropriations Committee, which is \$1.2 billion more than

the Administration's request and almost \$100 million less than the Senate Appropriations Committee approved. The budget submitted by the Administration had called for funding VA at a level of \$64.8 billion for FY2005.

## **VA Cash Benefits**

Spending for the VA cash benefit programs is mandatory, and the amounts requested in the budget are based on projected caseloads. Eligibility requirements and benefit levels are specified in law. While the number of veterans is declining, VA entitlement spending, mostly service-connected compensation, pensions, and readjustment (primarily education) payments, reached \$28.4 billion in FY2002, \$31.6 billion in FY2003, \$32.7 billion in FY2004, and is projected to reach \$35.1 billion in FY2005. Much of the projected increase in recent years results from cost-of-living adjustments for compensation benefits and from liberalizations to the Montgomery GI Bill, the primary education program.

## **Medical Care**

In FY2004 the Administration requested approximately \$25.7 billion for VHA. Congress appropriated approximately \$26.8 billion for VHA to be spent through an account structure comprising four new accounts: medical services, medical administration, medical facilities, and medical and prosthetic research.

For FY2005, the Administration submitted its budget request to Congress using a new account structure—consolidating several accounts into two business lines: medical care, and medical and prosthetic research. The Administration requested approximately \$27.1 billion for VHA for FY2005. Under the bill approved by the House Appropriations Committee, the Veterans Health Administration would have received approximately \$28.3 billion in FY2005 using the FY2004 account structure—a \$1.4 billion increase from FY2004 and \$1.2 billion more than the President's request. This included nearly \$19.5 billion for medical services, approximately \$4.7 billion for medical administration, \$3.7 billion for medical facilities, and \$385 million for medical and prosthetic research. The \$2 billion in medical care collections that was projected to be available in the budget request remained the same throughout the appropriations process.

Under the Senate bill, S. 2825, the Veterans Health Administration would have received approximately \$28.4 billion in FY2005. This was a \$1.5 billion increase from FY2004, \$1.2 billion more than the President's request, and \$21 million more than the House Appropriations Committee recommendation. This included nearly \$19.5 billion for medical services,<sup>1</sup> approximately \$4.7 billion for medical administration, \$3.7 billion for medical facilities, and approximately \$406 million for medical and prosthetic research.

The Consolidated Appropriations Act, 2005 (P.L.108-447), appropriates \$28.3 billion for VHA in FY2005—an increase of \$1.2 billion over the FY2005 appropriation request, and \$1.5 billion over FY2004. None of the funds would be contingent upon an emergency declaration as proposed by the Senate Appropriations Committee. P.L.108-447 provides \$19.5 billion to finance medical services. Furthermore, it appropriates \$4.7 billion for medical administration, \$3.7 billion for medical facilities, and \$406 million for medical and prosthetic research. Another \$2 billion in medical care collections is expected to be available to VHA in addition to the appropriated

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<sup>1</sup> This amount includes \$1.1 billion in two-year funding and \$1.2 billion designated as an emergency requirement. By designating funding as an emergency requirement, it is not subject to enforcement procedures under the congressional budget process.



amount. The conference agreement also includes \$371 million from the major construction account and \$182 million from the minor construction account for CARES-related activities.

In its budget submission to Congress, the Administration also proposed several legislative and regulatory changes. Among the Administration's proposals were: to increase the veteran's share of pharmaceutical copayments from \$7 to \$15 for each 30-day prescription for all enrolled veterans in Priority Groups 7 and 8; to increase the veteran's share of copayments for outpatient primary care from \$15 to \$20 for each appointment for all enrolled veterans in Priority Groups 7 and 8; to establish an annual user fee of \$250 for all enrolled veterans in Priority Groups 7 and 8; to end pharmacy copayments for veterans in Priority Groups 2 through 5 with incomes between \$9,894 and \$16,509; to end long-term care copayments for former prisoners of war; to authorize payment of out-of-pocket expenses for emergency room care or urgent care in non-VA medical facilities for all enrolled veterans; and to end hospice copayments. The House and Senate Committees on Appropriations did not accept any of the Administration's above proposals. The conference report also rejected these changes, as well as the Administration's proposal to fund VHA through an alternative account structure.

For a more detailed discussion of the VA medical care budget, see CRS Report RL32548, *Veterans' Medical Care Appropriations and Funding Process*.

## Title II: Department of Housing and Urban Development

**Table 5. Department of Housing and Urban Development Appropriations, FY2001 to FY2005**

(net budget authority in \$ billions)

FY2001	FY2002	FY2003	FY2004	FY2005
\$28.48	\$30.15	\$31.01	\$31.20	\$32.04

**Source:** Amounts for FY2001-FY2004 are from reports of the Appropriations Committees accompanying the appropriations bills for the following years. The amount for FY2005 is from funding tables in H.Rept. 108-792 and does not include an across-the-board rescission of 0.80% that is to be applied to all discretionary accounts. Actual final spending levels for any fiscal year include all supplemental appropriations or rescissions. Final totals remain uncertain until all program experience has been recorded, a process that may not be completed for several months after the end of the fiscal year.

### Agency Mission

Most of the appropriations for the Department of Housing and Urban Development (HUD) are designed to address housing problems faced by households with very low incomes (for example, the typical recipient of a housing voucher has an income of about \$12,000) or other special housing needs. These include programs of rental assistance for the poor, elderly or disabled, housing assistance for persons with AIDS, and shelter for those who are homeless. The two large HUD block grant programs, HOME and Community Development Block Grants, also help communities finance a variety of activities to address housing needs of disadvantaged populations. In recent years, HUD has focused more attention on efforts to increase the homeownership rates for lower-income and minority households. (At the end of the third quarter of 2004, the national homeownership rate stood at 69.0%, while the rates for white, black, and Hispanic households stood at 76.1%, 49.7% and 47.4% respectively.) HUD's Federal Housing

Administration (FHA) insures mortgages made by lenders to lower-income homebuyers, and to developers of multifamily rental buildings containing relatively affordable units.

**Table 6. Housing and Urban Development Appropriations, FY2004 to FY2005**  
(budget authority in \$ billions)

Program	FY2004 enacted	FY2005 request	FY2005 House Comm.	FY2005 Senate Comm.	FY2005 Conf. <sup>a</sup>
Housing Certificate Fund (Section 8) includes advance appropriations	\$19.257	\$18.466	\$20.018 <sup>b</sup>	\$20.708	\$20.226 <sup>b</sup>
Tenant-based Rental Assistance (Section 8)	—	—	14.677	—	14.885
Project-based Rental Assistance (Section 8)	—	—	5.341	—	5.341
Public housing capital fund	2.696	2.674	2.580	2.700	2.600
Public housing operating fund	3.579	3.573	3.425	2.610	2.458
HOPE VI	0.149	0.000	0.143	0.150	0.144
Native American housing block grants	0.650	0.647	0.622	0.650	0.627
Native Hawaiian Block Grant	0.000	0.010	0.000	0.000	0.000
Housing, persons with AIDS (HOPWA)	0.295	0.295	0.282	0.295	0.284
Rural Housing Economic Development	0.025	0.000	0.024	0.025	0.024
Empowerment zones; enterprise communities	0.015	0.000	0.014	0.000	0.010
Community Development Block Grant (including supplemental)	4.934	4.618	4.711	4.950	4.709
Brownfields redevelopment	0.025	0.000	0.024	0.025	0.024
HOME Investment Partnerships	2.006	2.084	1.920	2.050	1.915
Homeless Assistance Grants	1.260	1.282	1.206	1.260	1.251
Samaritan Initiative	0.000	0.050	0.000	0.000	0.000
Housing for the elderly	0.774	0.773	0.741	0.774	0.747
Housing for the disabled	0.249	0.249	0.238	0.250	0.240
Housing Counseling Assistance	0.000	0.045	0.000	0.000	0.000
Research and technology	0.047	0.047	0.045	0.047	0.046
Fair housing activities	0.048	0.048	0.046	0.048	0.047
Office, lead hazard control	0.174	0.139	0.167	0.175	0.168
Salaries and expenses	0.544	0.592	0.544	0.591	0.547
Working capital fund	0.234	0.234	0.100	0.234	0.270
Inspector General	0.077	0.077	0.077	0.084	0.080
Loan Guarantees	0.014	0.002	0.013	0.009	0.013
<b>Subtotal: Appropriations</b>	<b>37.049</b>	<b>35.904</b>	<b>36.940</b>	<b>37.633</b>	<b>36.429</b>
Section 8 recaptures (rescission)	-2.844	-1.557	-1.557	-2.588	-1.557
Rental housing assistance (rescission)	-0.303	-0.675	-0.675	-0.675	-0.675

Program	FY2004 enacted	FY2005 request	FY2005 House Comm.	FY2005 Senate Comm.	FY2005 Conf. <sup>a</sup>
Other rescissions	-0.030	-0.089	-0.089	-0.089	-0.089
<b>Subtotal: Rescissions</b>	<b>-3.177</b>	<b>-2.321</b>	<b>-2.321</b>	<b>-3.352</b>	<b>-2.321</b>
Federal Housing Administration (net)	-2.364	-1.707	-1.682	-1.707	-1.710
GNMA (net)	-0.305	-0.357	-0.357	-0.357	-0.357
<b>Subtotal: Offsets</b>	<b>-2.669</b>	<b>-2.064</b>	<b>-2.040</b>	<b>-2.064</b>	<b>-2.068</b>
<b>Total</b>	<b>\$31.202</b>	<b>\$31.519</b>	<b>\$32.579</b>	<b>\$32.218</b>	<b>\$32.040</b>

**Sources:** H.Rept. 108-674, H.R. 5041, S.Rept. 108-393, S.2825, H.Rept. 108-792, P.L. 108-447.

- a. The FY2005 Consolidated Appropriations Act (P.L. 108-447) requires a rescission equal to 0.80% of all discretionary accounts.
- b. The House Committee bill and the Consolidated Appropriations law split the Housing Certificate Fund into two separate accounts: tenant-based rental assistance (vouchers) and project-based rental assistance.

## Key Budget Issues

### Funding Level

On November 20, 2004, the House and Senate passed the Consolidated Appropriations Act of 2005. The conference report agreed to fund HUD at \$32.0 billion, up \$838 million or about 2.7% from FY2004. (This increase will be about 1.9% after the approved 0.80% rescission is imposed, which is not shown in this report.) The Administration had proposed a budget for FY2005 of \$31.5 billion, an increase of about 1% above the FY2004 enacted budget.<sup>2</sup> This follows an increase of about 0.7% from FY2003 to FY2004. Affordable housing advocates who argue for larger increases in the HUD budget point to the 2004 report, *The State of the Nation's Housing*, by Harvard's Joint Center For Housing Studies, which found that "Although the overwhelming majority of Americans are well housed, nearly a third of all households spend 30% or more of their income on housing and 13% spend 50% or more. In addition to widespread affordability problems, crowding is on the increase, some 2.5-3.5 million people are homeless at some point in a given year, and nearly 2 million households still live in severely inadequate units." Harvard's 2003 Joint Center report concluded: "Progress in tackling the nation's housing challenges has stalled."

HUD Deputy Secretary Roy Bernardi acknowledged in a June 2004 interview that "there is not enough money right now in the country to provide housing for all the people who need it," but he cited current budget constraints caused by the demands of homeland security, combating terrorism, and national defense.<sup>3</sup>

<sup>2</sup> Budget figures in this report are from funding tables in the Conference Report, H.Rept. 108-792, H.R. 4818 (*Congressional Record* of Nov. 20, 2004, pages H10177-H 10179) and from HUD's *Congressional Justifications for 2005 Estimates*.

<sup>3</sup> Interview with Roy Bernardi. *The Post-Standard* (Syracuse, N.Y.), June 20, 2004.

## Section 8 Voucher Funding Level and the Flexible Voucher Proposal

HUD's FY2005 budget proposes to eliminate the Section 8 voucher program (which is the largest component of the Housing Certificate Fund) and replace it with a new grant program called the Flexible Voucher Program. According to HUD, the FVP proposal would have provided an incentive for the Public Housing Authorities (PHAs) that administer both Section 8 vouchers and public housing to control the rising costs of housing vouchers. Under FVP, PHAs would have received a fixed budget and most federal regulations governing the current program would have been eliminated. The Administration expected the conversion to FVP to save \$1.6 billion in FY2005. A similar initiative was rejected by Congress in FY2004.

The funding requested for FVP was about \$1 billion less than the voucher program received in FY2004 and it has been estimated by advocates to be more than \$1 billion less than what would be needed to maintain the voucher program at its current level if the FVP proposal was not adopted.<sup>4</sup>

The House Appropriations Committee bill did not adopt FVP and proposed to fund the Section 8 program at \$1.6 billion above the requested level. The House bill also proposed to split the Housing Certificate Fund into two separate accounts: Project-based Rental Assistance and Tenant-based Rental Assistance.

The Senate Appropriations Committee-passed bill did not adopt the FVP proposal either and would have increased funding for the Housing Certificate Fund more than \$2.2 billion above the President's request. Unlike the House bill, S. 2825 did not propose to split the Housing Certificate Fund account.

The Consolidated Appropriations Act (P.L. 108-447) did not adopt the FVP proposal and it provides just under \$1 billion more than was provided in FY2004—\$1.8 billion more than the President requested. It splits the Housing Certificate Fund into two accounts, as proposed by the House, citing a need for better transparency and oversight.

### *Dollar-Based Funding in the Voucher Program*

The House, Senate, and final FY2005 funding bill all continue the controversial practice of dollar-based funding in the voucher program, first adopted in FY2004 and proposed as a part of the FVP initiative.

Prior to FY2004, PHA budgets were determined based on the number of vouchers they were authorized to administer and the *actual* cost of those vouchers. This method of calculating budgets has come to be called **unit-based funding**. In the FY2004 HUD funding law, Congress changed this formula and began funding PHAs based on the number of vouchers they were authorized to administer, at a fixed cost (rather than an actual cost) for each of those vouchers. Specifically, the cost of vouchers was fixed at the August 1, 2003 level, plus an inflation factor. This practice is referred to as **dollar-based funding** (or budget-based funding), and its adoption was very controversial among PHA groups and low-income housing advocates who feared that it would lead to an erosion in the number of people served in the program. Communities that faced reduced funding under this methodology have adopted a number of cost-saving strategies, including not re-issuing vouchers when families leave the program and/or cutting the subsidies paid to landlords (who, in some cases, willingly took the cuts, and in others, chose to no longer participate in the program).

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<sup>4</sup> See Barbara Sard and Will Fischer, *Administration Seeks Deep Cuts in Housing Vouchers and Conversion of Program to a Block Grant*, Center on Budget and Policy Priorities, May 24, 2004.

In FY2005, HUD proposed to continue the practice of budget-based funding for PHAs in its FVP proposal (see above). H.R. 5041 did not adopt FVP but did direct the Secretary to continue the practice of funding PHAs on a dollar-based system. Unlike the FY2004 law, the House bill did not specify a formula for the Secretary to use when determining PHA budgets. S. 2825 also proposed to continue the practice of budget-based funding. The bill directed the Secretary to fund PHAs based on a fixed cost, established by looking at PHAs' most recently submitted end-of-year financial statements, adjusted for any additional information submitted by the PHAs as of October 1, 2004, plus an inflation factor. The Senate bill proposed an inflation factor that would be more broadly defined than the one adopted in FY2004. The final FY2005 Consolidated Appropriations Act (P.L. 108-447) directs the Secretary of HUD to provide a dollar-based budget to PHAs based on their average costs and units leased over May, June, and July of 2004 (or earlier data, if not available), plus a HUD inflation factor. HUD is directed to publish guidance implementing the new funding law within 30 days of its passage and notify PHAs of their budget levels within 45 days of passage.

### ***Housing Certificate Fund Rescission***

Each year, a portion of the cost of the Housing Certificate Fund is offset by a recapture of unobligated balances from previous years. For FY2004, the President's budget indicated that just under \$1.4 billion would be available for rescission. However, Congress rescinded double that amount in FY2004, over \$2.8 billion. The additional funds were estimated to be available as the result of savings from a one-time accounting change enacted in the program.

In FY2005, the President's budget indicated that over \$1.5 billion would be available for rescission from prior years' unobligated balances. The House Appropriations Committee bill would have rescinded that amount. S. 2825 proposed to rescind over \$2.5 billion and directed the Comptroller General to audit and certify all funds available for rescission within the account. The bill further directed that, if sufficient funds to meet the rescission were not available within the HCF account, the difference would be required to be met through a proportional rescission taken from each discretionary account funded in the VA, HUD, and Independent Agencies appropriations bill, with the exception of the Medical Services account in VA. The final Consolidated Appropriations Act (P.L. 108-447) rescinds the amount proposed by the President.

### **HOPE VI**

For the second year in a row, the President's budget requested no new funding for HOPE VI, a public housing rehabilitation program that received \$149 million in FY2004. In justifying the funding cut, the Administration points to more than \$2 billion of unspent funds in the pipeline that will keep the program going for several years. Advocates for the program, including many Members of Congress, contend that HOPE VI has been successful in replacing some of the most dilapidated housing projects with new mixed-income housing, and that it needs to be continued. The Consolidated Appropriations Act (P.L. 108-447) provides \$144 million for HOPE VI, instead of \$150 million as proposed by the Senate and \$143 million proposed by the House.

### **Public Housing Funding and New Initiatives**

As a new initiative in FY2005, the President proposed to fund **Voluntary Graduation Bonuses** as a part of the Public Housing Operating Fund. Voluntary Graduation Bonus funds would be awarded to PHAs that exceed a baseline number of families who have exited public and assisted housing. The stated goal is to "move program participants away from dependency on public housing assistance programs." The House Appropriations Committee did not adopt the

President's Voluntary Graduation Bonus proposed set-aside. S. 2825 set aside \$15 million for the bonuses. The Consolidated Appropriations Act (P.L. 108-447) provides \$10 million for graduation bonuses.

As proposed in the Senate bill, the Consolidated Appropriations Act directs the Secretary of HUD to move all PHAs to a single, unified fiscal year ending on December 1, 2005. PHA fiscal years, and therefore their funding, have typically lagged the federal fiscal year and the calendar year. This change to a unified fiscal year provides Congress a one-time savings of almost a billion dollars with no decrease in the program level. As a result, the final FY2005 appropriations law provides \$1 billion less than the President requested for the **Public Housing Operating Fund**.

## **Homeownership Initiatives**

The Administration's Downpayment Assistance Initiative program provides grants to participating jurisdictions for downpayment help to low-income families. It received an \$87 million set-aside within the HOME program in FY2004 and the Administration's FY2005 budget requested \$200 million. The conferees provide \$50 million as was proposed by the Senate, instead of \$85 million recommended by the House. A second Administration homeownership initiative, the Zero Downpayment program (H.R. 3755) proposed to help an estimated 150,000 first-time homebuyers annually purchase with no money down and finance all settlement costs. On June 3, 2004, the House Financial Services Committee passed an amended H.R. 3755. No further action occurred.

The Administration maintains that homeownership for low-income and minority families helps create a stable living environment for children and allows these families to accumulate wealth. They point to substantially lower homeownership rates for minorities and lower-income households. Critics contend that the Administration's focus on homeownership is unbalanced and political; taken together, homeownership programs cost HUD nothing (the FHA insurance program made an estimated profit of \$2.9 billion for the agency in FY2004); that too many lower-income families are being enticed to purchase a home with little or no savings, with little or no financial knowledge about budgets or home repair contracts, and that they are especially vulnerable to layoffs and a variety of financial and mortgage- and housing-related scams. They point to very high FHA mortgage delinquency rates—currently above 12%. While the Administration's FY2005 budget projected no cost for the Zero Downpayment program, assuming higher insurance premiums would cover costs, on June 21, 2004, the Congressional Budget Office (CBO) put out an estimate of \$562 million over the 2006-2009 period. CBO estimates that defaults for the new program would average about 1% each year and that the cumulative default rate over a 30-year period would exceed 30%. Neither the House nor Senate Appropriations Committees, nor the Consolidated Appropriations bill, included funding for the Zero Downpayment program for FY2005.

## **The Samaritan and Faith-Based Prisoner Reentry Initiatives**

The Administration's FY2005 budget included \$50 million for the new Samaritan Initiative, a proposal designed to address the President's goal of ending chronic homelessness. It would have provided communities with funds for new housing options and aggressive outreach and services to homeless people. Bills to authorize the Samaritan Initiative were introduced in both the House and Senate (H.R. 4057 and S. 2829). The \$25 million Faith-Based Prisoner Reentry program, was proposed as an effort with the Labor and Justice Departments to help 600,000 people who leave prison each year make the transition to society. No appropriations bill, including the final Act, provides funding to these proposals.



For a more detailed discussion of the HUD budget, see CRS Report RL32443, *The Department of Housing and Urban Development: FY2005 Budget*.

## Title III: Independent Agencies

### Environmental Protection Agency

**Table 7. Environmental Protection Agency Appropriations, FY2000 to FY2004**

(budget authority in \$ billions)

FY2001	FY2002	FY2003	FY2004	FY2005
\$7.83	\$8.08	\$8.08	\$8.37	\$8.09

**Source:** Amounts for FY2001-FY2004 are from reports of the Appropriations Committees accompanying the appropriations bills for the following years. The amount for FY2005 is from funding tables in H.Rept. 108-792 and does not include an across-the-board rescission of 0.80% that is to be applied to all discretionary accounts. Actual final spending levels for any fiscal year include all supplemental appropriations or rescissions. Final totals remain uncertain until all program experience has been recorded, a process that may not be completed for several months after the end of the fiscal year.

### Agency Mission

The Nixon Administration established the Environmental Protection Agency (EPA) in 1970 in order to consolidate federal pollution control responsibilities that had been divided among several agencies. Since that time, EPA's responsibilities have grown as Congress has enacted an increasing number of environmental laws, as well as major amendments to these statutes, over three decades.

Annual appropriations provide the funds necessary for EPA to carry out its responsibilities under these laws. Among its primary responsibilities are the regulation of air quality and water quality, pesticides and toxic substances, the management and disposal of solid and hazardous wastes, and the cleanup of environmental contamination. EPA also awards grants to assist state and local areas in controlling pollution.

EPA's funding trends generally reflect an increase in overall appropriations to fulfill a rising number of statutory responsibilities, as Congress has enacted more environmental laws over time. Historically, the agency's appropriation has risen from \$1.0 billion when the agency was established in FY1970 to \$8.4 billion in FY2004.

**Table 8. Appropriations: Environmental Protection Agency, FY2004 to FY2005**

(budget authority in \$ billions)

Program	FY2004 enacted	FY2005 request	FY2005 House Comm.	FY2005 Senate Comm.	FY2005 Conf. <sup>a</sup>
Science & Technology (total)	\$0.826	\$0.725	\$0.765	\$0.794	\$0.786
<i>direct appropriations</i>	<i>0.782</i>	<i>0.689</i>	<i>0.729</i>	<i>0.758</i>	<i>0.750</i>
<i>transfer in from Superfund</i>	<i>0.044</i>	<i>0.036</i>	<i>0.036</i>	<i>0.036</i>	<i>0.036</i>

Program	FY2004 enacted	FY2005 request	FY2005 House Comm.	FY2005 Senate Comm.	FY2005 Conf. <sup>a</sup>
Environmental Programs and Management	2.280	2.317	2.241	2.310	2.313
Office of Inspector General (total)	0.050	0.051	0.050	0.051	0.051
<i>direct appropriations</i>	<i>0.037</i>	<i>0.038</i>	<i>0.037</i>	<i>0.038</i>	<i>0.038</i>
<i>transfer in from Superfund</i>	<i>0.013</i>	<i>0.013</i>	<i>0.013</i>	<i>0.013</i>	<i>0.013</i>
Buildings and facilities	0.040	0.043	0.039	0.040	0.039
Hazardous substance Superfund (net, after transfers)	1.200	1.332	1.208	1.332	1.208
<i>direct appropriations</i>	<i>1.258</i>	<i>1.381</i>	<i>1.258</i>	<i>1.381</i>	<i>1.258</i>
<i>transfers out from Superfund</i>	<i>-0.058</i>	<i>-0.049</i>	<i>-0.049</i>	<i>-0.049</i>	<i>-0.049</i>
Leaking underground storage tank program	0.076	0.073	0.074	0.070	0.070
Oil spill response	0.016	0.016	0.016	0.016	0.016
Pesticide registration fund <sup>b</sup>	—	0.019	0.019	0.019	0.019
Pesticide registration fees <sup>b</sup>	—	-0.019	-0.019	-0.019	-0.019
State and tribal assistance grants (total)	3.878	3.232	3.359	3.887	3.604
<i>State and tribal assistance</i>	<i>2.706</i>	<i>1.980</i>	<i>2.197</i>	<i>2.724</i>	<i>2.458</i>
<i>Omnibus appropriations (P.L. 108-199, Sec. 167)</i>	<i>0.004</i>	—	—	—	—
<i>Categorical grants</i>	<i>1.168</i>	<i>1.252</i>	<i>1.162</i>	<i>1.163</i>	<i>1.146</i>
<b>Total</b>	<b>\$8.366</b>	<b>\$7.789 <sup>c</sup></b>	<b>\$7.753</b>	<b>\$8.500</b>	<b>\$8.088</b>

Sources: H.Rept. 108-674, H.R. 5041, S.Rept. 108-393, S. 2825, H.Rept. 108-792, H.R. 4818.

- a. The FY2005 Consolidated Appropriations Act (P.L. 108-447) requires a rescission equal to 0.80% of all discretionary accounts.
- b. The Pesticide Registration Fund is a revenue fund rather than an appropriations account. The amount indicated for it reflects EPA's estimate of anticipated collection of pesticide registration service fees as authorized in FY2004 appropriations. In including this fund in the budget tables, the committee treated the amount as an offset, as it represents revenue collections rather than new appropriations that EPA has requested. No reference is made regarding any other EPA estimates for existing or proposed FY2005 "user-fee" revenues, including expected \$27 million in revenues from related "pesticide maintenance fees" also authorized in FY2004 appropriations.
- c. In EPA's budget justification document, the Administration has proposed a \$30 million offset, resulting in \$7.76 billion for the FY2005 request, reflecting anticipated revenues from two "user-fee" proposals: \$4 million from an increase to existing fee levels for Premanufacture Notices (PMNs) under the Toxic Substances Control Act, and \$26 million to implement Pesticide Registration Fee authority promulgated in 1988 but prohibited by Congress. These fees would be deposited into a special fund in the U.S. Treasury, available to EPA but subject to appropriation. The Administration's total for EPA does not appear to distinguish an offset for other user-fee revenue estimates.

## Key Funding Issues

As passed by the House and Senate, the conference agreement on H.R. 4818 (H.Rept. 108-792) provides \$8.09 billion for EPA in FY2005, subject to an across-the-board rescission of 0.80%. Prior to conference, H.R. 5041 (H.Rept. 108-674) had proposed \$7.75 billion for EPA, and S.



S. 2825 (S.Rept. 108-353) had proposed \$8.50 billion. The Administration requested \$7.79 billion for FY2005, and Congress appropriated \$8.37 billion for FY2004. Although there have been varying levels of interest in proposed funding for specific activities, prominent issues in the FY2005 debate included differences in funding for water infrastructure, scientific research, and the cleanup of hazardous waste sites under the Superfund program. A discussion of funding for these activities in the conference agreement on H.R. 4818 is provided below. Amounts are line-items identified in the bill and do not reflect the across-the-board rescission of 0.80% noted above.

### ***Water Infrastructure***

The conference agreement provides \$1.10 billion for the clean water State Revolving Fund (SRF). S. 2825 had proposed to continue funding at the FY2004 level of nearly \$1.35 billion. H.R. 5041 had proposed \$850 million, as the Administration requested. The conference agreement provides another \$850 million for the safe drinking water SRF, the same as the Administration requested and as S. 2825 had proposed. H.R. 5041 had proposed \$845 million, the same as the FY2004 appropriation.

The above funds provide seed monies for state loans to communities for wastewater and drinking water infrastructure projects. The reduction relative to FY2004 for wastewater infrastructure in the conference agreement has been contentious, as there is disagreement over the adequacy of funding to meet these needs. Although the conference agreement would provide nearly the same amount as in FY2004 for drinking water infrastructure, some have advocated that higher funding is needed to meet local needs.

In addition to funding the SRFs, the conference agreement provides \$310 million in earmarked funding for special project grants to specific communities for drinking water, wastewater, and storm water infrastructure projects. H.R. 5041 had proposed to continue funding at the FY2004 level of \$323 million, and S. 2825 had proposed \$117 million. As in recent fiscal year budget requests, the Administration did not request any funding for these projects for FY2005.

Although the non-earmarked funding for these types of projects is provided for the clean water and drinking water SRFs from which loans are given to communities, earmarked funding is provided as grants that require matching funds but no repayment. As the trend in the amount of funding earmarked for water infrastructure projects has risen, the extent to which these needs should be met with SRF loan monies or grant assistance has become controversial.

### ***Scientific Research***

The conference agreement provides \$750 million (prior to transfers) for the Science and Technology account. H.R. 5041 had proposed \$729 million, and S. 2825 had proposed \$758 million. All three amounts are more than the Administration's request of \$689 million, but are less than the FY2004 appropriation of \$782 million.

Numerous scientific organizations, such as the American Association for the Advancement of Science, expressed opposition to reducing funding for this account, arguing that critical areas of knowledge needed for public policy decisions would be compromised. Such critics argue that reducing funding for EPA's scientific research activities could result in a poorer understanding of the effects of pollution on human health and make it more difficult to assess the level of protection provided by existing regulatory standards or intended for future ones.

In requesting a decrease for FY2005, the Administration countered that it would maintain research activities in numerous key areas, and that its proposed cut in funding was due primarily

to cost-savings that it expected to realize from consolidating and realigning certain research areas to improve the efficiency and effectiveness of these efforts.

### *Superfund*

Another prominent issue is the adequacy of funding for the Superfund program to clean up the nation's most hazardous waste sites. The conference agreement would provide \$1.26 billion (prior to transfers) for the Superfund program in FY2005, the same as proposed in H.R. 5041 and as Congress appropriated for FY2004. S. 2825 had proposed to increase funding to \$1.38 billion, as the Administration requested.

According to EPA's budget justification, the increase in funding would have been for selecting and constructing final cleanup remedies, and completing the assessment of contamination at additional sites. Some Members of Congress assert that the steady funding level in the conference agreement is adequate to meet cleanup needs. Other Members, states, and environmental organizations argue that more funds are necessary to speed up the pace of remediating contamination at these sites, in order to ensure that human health and the environment are protected.

The source of funding for the Superfund program has been an ongoing issue as well. Three dedicated taxes (on petroleum, chemical feedstocks, and corporate income) historically provided the majority of funding for the Superfund program. The authority to collect the taxes expired at the end of 1995, and the remaining revenues were essentially obligated for cleanup by the end of FY2003. Congress funded the program entirely with general Treasury revenues for the first time in FY2004.

Some Members advocate reinstating the Superfund taxes and argue that the use of general U.S. Treasury revenues undermines the "polluter pays" principle. Other Members and the Administration counter that viable parties are still required to pay for the cleanup of contamination and that polluters are therefore not escaping their responsibility. According to EPA, responsible parties pay for the cleanup at more than 70% of Superfund sites.

Cost recoveries from responsible parties continue to contribute some revenues to the Superfund Trust Fund, as well as accruing interest on obligated balances that have not yet been expended. The conference agreement authorizes the use of general Treasury revenues to entirely support the \$1.26 billion funding level, if sufficient funds are not available in the Trust Fund.

For more details on the EPA budget, see CRS Report RL32441, Environmental Protection Agency: Appropriations for FY2005.

## National Aeronautics and Space Administration

**Table 9. National Aeronautics and Space Administration Appropriations, FY2000 to FY2004**

(budget authority in \$ billions)

FY2001	FY2002	FY2003	FY2004	FY2005
\$14.29	\$14.90	\$15.30	\$15.38	\$16.20

**Source:** Amounts for FY2001-FY2004 are from reports of the Appropriations Committees accompanying the appropriations bills for the following years. The amount for FY2005 is from funding tables in H.Rept. 108-792 and does not include an across-the-board rescission of 0.80% that is to be applied to all discretionary accounts. Actual final spending levels for any fiscal year include all supplemental appropriations or rescissions. Final totals

remain uncertain until all program experience has been recorded, a process that may not be completed for several months after the end of the fiscal year.

## Agency Mission

The National Aeronautics and Space Administration (NASA) was created by the 1958 National Aeronautics and Space Act (P.L. 85-568) to conduct civilian space and aeronautics activities. NASA opened its doors on October 1, 1958, almost exactly one year after the Soviet Union ushered in the Space Age with the launch of the world's first satellite, Sputnik, on October 4, 1957. In the more than 45 years that have elapsed, NASA has conducted far-reaching programs in human and robotic spaceflight, space and aeronautical technology development, and scientific research.

The agency is managed from NASA Headquarters in Washington, D.C. It has nine major field centers: Ames Research Center, Moffett Field, CA; Dryden Flight Research Center, Edwards, CA; Glenn Research Center, Cleveland, OH; Goddard Space Flight Center, Greenbelt, MD; Johnson Space Center, Houston, TX; Kennedy Space Center, Cape Canaveral, FL; Langley Research Center, Hampton, VA; Marshall Space Flight Center, Huntsville, AL; Stennis Space Center, in Mississippi, near Slidell, LA. The Jet Propulsion Laboratory, Pasadena, CA (often counted as a tenth NASA center), is a federally funded research and development center operated for NASA by the California Institute of Technology. NASA employs approximately 19,000 civil servants (full-time equivalents), and 40,000 contractors and grantees working at or near NASA centers.

**Table 10. Appropriations: National Aeronautics and Space Administration, FY2004 to FY2005**  
(budget authority in \$ billions)

Program	FY2004 enacted	FY2005 request	FY2005 House Comm.	FY2005 Senate Comm.	FY2005 Conf. <sup>a</sup>
Space flight capabilities	\$7.468	\$8.456	\$7.497	\$7.811	\$8.426
<i>emergency appropriations</i>	—	—	—	0.600	—
Sci., aeronaut., exploration	7.883	7.760	7.621	7.737	7.743
<i>emergency appropriations</i>	—	—	—	0.200	—
Inspector General	0.027	0.028	0.031	0.032	0.032
<b>Subtotal (NASA)</b>	<b>\$15.378</b>	<b>\$16.244</b>	<b>\$15.149</b>	<b>\$16.379</b>	<b>\$16.200</b>

**Sources:** H.Rept. 108-674, H.R. 5041, S.Rept. 108-393, S. 2825, H.Rept. 108-792, H.R. 4818.

- a. The FY2005 Consolidated Appropriations Act (P.L. 108-447) requires a rescission equal to 0.80% of all discretionary accounts.

## Key Budget Issues

NASA requested \$16.244 billion for FY2005, a 5.6% increase over its FY2004 appropriations. Congress appropriated \$16.200 billion, or \$16.070 billion when adjusted for the across-the-board rescission. The \$16.070 billion is a 4.5% increase over FY2004.

Those figures by themselves may not sufficiently convey the controversy that surrounded NASA's budget, and may be somewhat misleading because more than \$1 billion of the funding must go for activities that were not included in the budget request. First, as noted, the \$16.200 billion is subject to the 0.80% across-the-board rescission, making the actual total \$130 million less. Second, while Congress was considering the FY2005 request, NASA concluded that it needed an additional \$762 million in FY2005 to return the shuttle to flight status. Also, Congress directed NASA to spend \$291 million on a servicing mission to the Hubble Space Telescope (see CRS Report RS21767), and added at least \$200 million in other congressionally directed spending. Consequently, the amount of money available to cover the content of the FY2005 request is approximately \$14.8 billion. Thus, even though it might appear that NASA got what it requested for FY2005, difficult choices will have to be made about what programs to fund.

Congress gave NASA "unrestrained transfer authority" in FY2005 to shift funding among its programs, except for a few that are specified in the conference report. A House Appropriations Committee press release called the transfer authority "unprecedented." NASA must notify Congress of its plans for spending the money. Until that notification is submitted, it is not possible to identify in this report how much will be spent on most NASA programs.

Separately, NASA received \$126 million in a FY2005 emergency supplemental (P.L. 108-324) for hurricane relief.

Debate over NASA's FY2005 budget took place as NASA responded to the announcement of new goals for the U.S. space program by President Bush in January 2004, and continued to recover from the February 2003 space shuttle *Columbia* tragedy. NASA hopes the space shuttle will return to flight in 2005, at which time assembly of the International Space Station (ISS) can resume. Returning the shuttle to flight and completing construction of ISS are the first steps in President Bush's "Vision for Space Exploration" in which NASA will focus its activities on returning humans to the Moon by 2020 and someday sending them to Mars and "worlds beyond" (see CRS Report RS21720). The Vision involves human spaceflights, as well as using robotic spacecraft as trailblazers for human missions and to investigate whether life may exist elsewhere in the universe. President Bush emphasized that achieving these goals is a "journey, not a race." White House and NASA officials stress that the Vision will take many years to accomplish, spanning multiple Congresses and presidential administrations.

The House and Senate committee markups of the VA-HUD-IA appropriations bill indicated that NASA's request for Vision-related activities would be cut substantially. In conference, NASA's situation improved, with the agency ultimately receiving a budget level similar to what it requested. (Media reports widely credit House Majority Leader DeLay as being instrumental in adding \$300 million to NASA's funding level at the last minute. An initial version of the funding table that accompanied the VA-HUD-IA portion of the Consolidated Appropriations bill, published in the November 19, 2004 version of the *Congressional Record* on p. H10880, did not reflect this late addition. A corrected table was printed in the November 20 edition of the *Record* on p. H10183.) Thus, supporters of the Vision hailed the final FY2005 appropriations level as an endorsement of the President's plan. The conferees offered a cautionary view, however:

The conferees have included substantial funding for the space exploration initiative, but to date there has been no substantive congressional action endorsing the initiative. The conferees note that the initiative is a very long-term endeavor and will require tens of billions of dollars over the next two decades. As such, the initiative deserves and requires the deliberative benefit of the Congress. To this end, the conferees call upon the appropriate

committees of jurisdiction of the House and Senate for action to specifically endorse the initiative and provide authorization and guidance.<sup>5</sup>

As noted, until NASA notifies Congress of how it plans to spend its FY2005 funding, it is not possible to determine how much will be allocated to Vision-related activities. Only two of the new programs associated with the Vision were addressed in the conference report. A request for \$70 million to build a robotic spacecraft to orbit the Moon to study potential landing sites was cut to \$10 million. A request for \$20 million to begin a program of “Centennial Challenges,” through which prizes will be offered for developing innovative technologies, was cut to \$10 million. Funding levels for the major programs—to build a Crew Exploration Vehicle to send astronauts to the Moon, and Project Prometheus, which is developing space nuclear power and propulsion systems—were not specified.

NASA’s administrator, Sean O’Keefe, resigned in December 2004. He agreed to remain at the agency until a successor is named. That successor will face a number of issues with significant budget ramifications. First is coping with the steadily increasing costs for returning the space shuttle to flight status. NASA requested, and Congress appropriated, \$4.3 billion for FY2005 for the shuttle program. But after the request was submitted, the cost estimate for Return to Flight (RTF) grew from \$1.1 billion to \$2.2 billion through FY2009. For FY2005 alone, the estimate grew by \$762 million. Conferees on the appropriations bill said that NASA could transfer funds from other NASA activities to cover those costs, or submit a supplemental appropriations request.

Second will be deciding on the fate of the Hubble Space Telescope. The Hubble is designed to be repaired by crews aboard the space shuttle, and a servicing mission was scheduled for 2004. Mr. O’Keefe decided after the *Columbia* tragedy not to send the shuttle to Hubble for a variety of reasons, one of which was crew safety. He argued that sending the shuttle on missions to the space station would be acceptable because the station could serve as a “safe haven” if something went wrong on the shuttle, but no safe haven existed for Hubble missions. The decision was extremely controversial (see CRS Report RS21767). NASA and others are assessing whether Hubble could be serviced robotically instead of with the shuttle. A December 2004 report from the National Research Council endorsed reinstating a shuttle servicing mission as the best option for ensuring the telescope can continue to operate. Congress directed NASA to spend \$291 million in FY2005 on a Hubble servicing mission, without specifying how to accomplish the task. Either way, the costs are significant. Mr. O’Keefe estimates the cost of a robotic mission at \$1 billion to \$1.6 billion. The Government Accountability Office (GAO) reported that NASA’s estimate of the cost of a shuttle servicing mission is \$1.7 billion to \$2.4 billion, though it questioned that estimate (GAO-05-34).

In addition to the shuttle Return to Flight and Hubble servicing issues, NASA’s new administrator must determine how to accommodate all of NASA’s other activities, including those needed to implement President Bush’s Vision, within the agency’s remaining budget. For more information on NASA’s FY2005 budget, see CRS Report RL32676, *The National Aeronautics and Space Administration’s FY2005 Budget Request: Description, Analysis, and Issues for Congress*.

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<sup>5</sup> *Congressional Record*, daily ed., Nov. 19, 2004, p. H10860.

# National Science Foundation

**Table 11. National Science Foundation Appropriations,  
FY2000 to FY2004**

(budget authority in \$ billions)

FY2001	FY2002	FY2003	FY2004	FY2005
\$4.79	\$4.81	\$5.30	\$5.58	\$5.52

**Source:** Amounts for FY2001-FY2004 are from reports of the Appropriations Committees accompanying the appropriations bills for the following years. The amount for FY2005 is from funding tables in H.Rept. 108-792 and does not include an across-the-board rescission of 0.80% that is to be applied to all discretionary accounts. Actual final spending levels for any fiscal year include all supplemental appropriations or rescissions. Final totals remain uncertain until all program experience has been recorded, a process that may not be completed for several months after the end of the fiscal year.

## Agency Mission

The National Science Foundation (NSF) was created by the National Science Foundation Act of 1950, as amended (P.L. 81-507). The NSF has the broad mission of supporting science and engineering in general and funding basic research across many disciplines. The majority of the research supported by the NSF is conducted at U.S. colleges and universities. In addition to ensuring the nation's supply of scientific and engineering personnel, the NSF promotes academic basic research and science and engineering education across many disciplines. Also, NSF provides almost 30% of the total federal support for science and mathematics education. Support is provided to academic institutions, industrial laboratories, private research firms, and major research facilities and centers. While the NSF does not operate any laboratories, it does support Antarctic research stations, selected oceanographic vessels, and national research centers. Additionally, the NSF supports university-industry relationships and U.S. participation in international scientific ventures.

The NSF is an independent agency in the executive branch and under the leadership of a presidentially appointed director and a National Science Board (NSB) composed of 24 scientists, engineers, and university and industry officials involved in research and education. The NSB and the director make policy for the NSF.

**Table 12. National Science Foundation Appropriations,  
FY2004 to FY2005**

(budget authority in \$ billions)

Program	FY2004 enacted	FY2005 request	FY2005 House Comm.	FY2005 Senate Comm.	FY2005 Conf. <sup>a</sup>
Research, related activities	\$4.184	\$4.384	\$4.084	\$4.336	\$4.255
Defense function	0.068	0.068	0.068	0.068	0.068
Major research equipment	0.155	0.213	0.208	0.130	0.175
Education, human resources	0.939	0.771	0.843	0.929	0.848
Salaries and expenses	0.219	0.294	0.250	0.269	0.225



Program	FY2004 enacted	FY2005 request	FY2005 House Comm.	FY2005 Senate Comm.	FY2005 Conf. <sup>a</sup>
National Science Board	0.004	0.004	0.004	0.004	0.004
Office of Inspector General	0.010	0.010	0.010	0.010	0.010
<b>Total</b>	<b>\$5.578</b>	<b>\$5.745</b>	<b>\$5.467</b>	<b>\$5.747</b>	<b>\$5.517</b>

**Sources:** H.Rept. 108-674, H.R. 5041, S.Rept. 108-393, S. 2825, H.Rept. 108-792, H.R. 4818.

- a. The FY2005 Consolidated Appropriations Act (P.L. 108-447) requires a rescission equal to 0.80% of all discretionary accounts.

## Key Budget Issues

### *Overview of the FY2005 Budget Request*

The NSF has enjoyed considerable growth during a period of constrained research budgets. When measured in current dollars, its total appropriation increased more than 70.6% in 10 years—FY1995, \$3.3 billion; FY1999, \$3.4 billion; and FY2004, \$5.6 billion. Even when inflation is taken into account, its growth increased (in constant FY2003 dollars) by 46.6% during this 10-year period. The FY2005 request for the NSF was \$5.7 billion, a 2.9% (\$167 million) increase over the FY2004 level of \$5.6 billion. The FY2005 request provided for support of several interdependent priority areas: biocomplexity in the environment (\$100 million), human and social dynamics (\$23 million), mathematical sciences (\$89 million), nanoscale science and engineering (\$305 million), and strengthening the workforce (\$20 million). NSF maintains that researchers need access to cutting-edge tools to pursue their research and funding to develop and design the tools critical to 21st century research and education. Approximately 26% of the FY2005 request (\$1.5 billion) represents an investment in infrastructure of all types. Increasing grant size and duration has been a long-term priority for NSF. The FY2005 request devoted \$40 million to increase the annual award size to an annual average of \$142,000, a \$3,000 increase over the FY2004 level. The request provided \$80 million for the President’s Math and Science Partnerships program (MSP). Additional highlights of the FY2005 budget request included plant genome research (\$89 million), climate change research (\$25 million), and international collaborations in science and engineering (\$34 million).

### *Policy Issues*

There has been considerable debate in the academic and scientific community and in Congress about the management and oversight of major projects selected for construction and the need for prioritization of potential projects funded in the Major Research Equipment and Facilities Construction (MREFC) account. In September 2001, NSF released a plan that was an outgrowth of the directive received from the Bush Administration to improve its oversight of large projects. While the implementation plan included anticipated dates for the development of comprehensive guidelines and project oversight review, questions remained. One continuing question focused on the selection process for including major projects in the upcoming budget cycle. The selection process has been described as “ad hoc and subjective.” In June 2002, Congress requested the National Academy of Sciences (NAS) to review NSF’s management of its large facility projects, including the construction and operation phases. In January 2004, the NAS released the

congressionally mandated study of the process for prioritization and oversight of projects in the MREFC account, *Setting Priorities for Large Research Facility Projects Supported by the National Science Foundation*. Currently, the NSF is reviewing the findings and recommendations of the report in an effort to better fund and manage the most meritorious research projects.

On February 2, 2004, the NSB released a report that was mandated by Section 22 of the NSF Authorization Act of 2002. The report, *Fulfilling the Promise, A Report to Congress on the Budgetary and Programmatic Expansion of the National Science Foundation*, was to address all of the unmet needs of the agency and determine what infrastructure was needed to support NSF's programmatic expansion through FY2007. The recommendations provided in the report are based on the budget levels contained in the authorization. The NSB recommended a total investment of \$19 billion for the NSF to sustain its position in science and technology. Rather than spread funding across all programs and activities, the report suggested that a more productive use was to focus on key strategic areas—\$1.2 billion for advanced tools and cyber infrastructure, \$1 billion to improve research productivity and student opportunities, \$1 billion for exploration and research and education, \$700 million toward building a competitive workforce, \$200 million for maintaining management excellence, and \$200 million to increase the number and diversity of institutions receiving awards. It is the position of the NSB that increasing the size and length of research awards should be one of the highest priorities of the agency.

The FY2005 appropriations for the NSF are contained in the Consolidated Appropriations Act of FY2005, P.L. 108-447. The omnibus legislation funds the NSF in FY2005 at \$5.517 billion, \$228 million (4.0%) below the request and \$61 million below the FY2004 estimate. (This does not include the across-the-board rescission of 0.80%). The funding cuts impact the two major accounts, R&RA and the EHR. The R&RA is funded at \$4.255 billion, \$197 million (4.4%) below the request and \$3 million above the FY2004 level. After the rescission, this will be the first time since 1986 that support for the R&RA has declined.

## Other Independent Agencies

In addition to funding for VA, HUD, EPA, NASA, and NSF, several other smaller “sundry independent agencies, boards, commissions, corporations, and offices” will receive their funding through the act providing appropriations for VA, HUD, and Independent Agencies for the fiscal year that began October 1, 2004. **Table 13** lists appropriations for FY2004 and proposed levels for FY2005 for these agencies.

**Table 13. Other Independent Agencies Appropriations,  
FY2004 to FY2005**

(budget authority in \$ billions)

Program	FY2004 enacted	FY2005 request	FY2005 House Comm.	FY2005 Senate Comm.	FY2005 Conf. <sup>a</sup>
CDC, toxic substances and disease registry and NIH, environmental health science	\$0.151	\$0.157	\$0.157	\$0.157	\$0.157
American Battle Monuments Commission	0.041	0.041	0.050	0.046	0.053
Chemical Safety and Hazard Investigations Board	0.009	0.010	0.010	0.009	0.010
Cemetery expenses, Army	0.029	0.030	0.030	0.030	0.030
Community Development Financial Institutions	0.061	0.048	0.061	0.055	0.056



Program	FY2004 enacted	FY2005 request	FY2005 House Comm.	FY2005 Senate Comm.	FY2005 Conf. <sup>a</sup>
Consumer Product Safety Commission	0.060	0.063	0.063	0.063	0.063
Corporation for National and Community Service	0.581	0.642	0.572	0.590	0.578
Office, Science & Technology Council, Environmental Quality; Office, Environmental Quality	0.010	0.010	0.010	0.010	0.010
Court of Appeals, Veterans Claims	0.016	0.018	0.017	0.018	0.017
Federal Citizen Information Center	0.014	0.015	0.015	0.015	0.015
Federal Deposit Insurance Corporation (transfer)	(0.030)	(0.030)	(0.030)	(0.031)	(0.030)
Interagency Council on the Homeless	0.001	0.002	0.002	0.002	0.002
National Credit Union Administration (CDRLF)	0.001	0.001	0.001	0.001	0.001
Neighborhood Reinvestment Corporation	0.114	0.115	0.115	0.115	0.115
Selective Service System	0.026	0.026	0.026	0.026	0.026
Commission on National Moment of Remembrance	( <sup>b</sup> )	( <sup>b</sup> )	( <sup>b</sup> )	—	( <sup>b</sup> )
<b>Total</b>	<b>\$1.115</b>	<b>\$1.178</b>	<b>\$1.128</b>	<b>\$1.136</b>	<b>\$1.131</b>

**Sources:** H.Rept. 108-674, H.R. 5041, S.Rept. 108-393, S. 2825, H.Rept. 108-792, H.R. 4818.

- The FY2005 Consolidated Appropriations Act (P.L. 108-447) requires a rescission equal to 0.80% of all discretionary accounts.
- Less than \$500,000.

## Agency for Toxic Substances and Disease Registry

This agency, which is placed in the Department of Health and Human Services (HHS), manages the Toxic Substances and Environmental Public Health program, which issues toxicological profiles of possible toxic substances. The Agency conducts health studies, evaluations, or other activities, using biomedical testing, clinical evaluations, and medical monitoring.

## American Battle Monuments Commission

The commission is responsible for the construction and maintenance of memorials honoring Armed Forces battle achievements since 1917. Included among the commission's functions are the maintenance of 24 American military cemetery memorials and 31 memorializations in 15 foreign countries, as well as six memorials in the United States.

## Cemeterial Expenses, Army

Arlington National Cemetery and the Soldiers' and Airmen's Home National Cemetery are administered by the U.S. Army. By the end of FY2003, 302,054 persons were interred/inurned in these cemeteries. In addition to 6,700 interments and inurnments estimated for FY2004, Arlington is the site of approximately 3,100 other ceremonies and has about 4 million visitors annually.

## **Chemical Safety and Hazard Investigation Board**

The Board, which was authorized by the Clean Air Act Amendments of 1990, investigates hazardous substance spills or releases.

## **Community Development Financial Institutions (CDFI) Fund**

The CDFI Fund was created by P.L. 103-325. The purpose of the fund is to provide credit, investment capital, and technical assistance to distressed urban and rural areas by investing in and supporting community-based organizations. The fund's programs also encourage banks and thrifts to expand their activities in distressed communities. In addition, the fund administers the New Market Tax Credit program created by P.L. 106-554. Through this program the fund allocates tax credits as part of an effort to expand incentives for business investment in low-income communities. P.L. 104-19 gave the Department of the Treasury the authority to manage the CDFI Fund, although the fund's programs continue to be funded through the VA/HUD bill. For FY2005, the recommendation of both the House and Senate Appropriations Committees to designate \$4 million for financial and technical assistance for Native American, Native Hawaiian, and Alaska Native communities was included in the conference report.

## **Consumer Product Safety Commission (CPSC)**

The Commission is an independent regulatory agency charged with protecting the public from unreasonable product risk and to research and develop uniform safety standards for consumer products.

## **Corporation for National and Community Service (CNCS)**

The Corporation administers programs authorized under the National and Community Service Act of 1990 (NCSA) and the Domestic Volunteer Service Act of 1973 (DVSA). The DVSA programs—e.g., Volunteers in Service to America (VISTA) and the Senior Volunteer Service Corps—are funded under the Labor/HHS Appropriation bill. Authorization for CNCS, and programs and activities authorized by NCSA, expired at the end of FY1996. Since then, continued program authority has occurred through the appropriations process.

The FY2004 appropriation and the FY2005 request for the NCSA programs administered by the Corporation include funds for the National Service Trust and for the AmeriCorps grants program. The National Service Trust is a special account in the U.S. Treasury from which funds are used primarily to provide educational awards to participants in AmeriCorps grants, the National Civilian Community Corps (NCC), and VISTA. The Corporation estimated that 75,000 individuals would participate in these programs in each year, up from an estimated 50,000 participants in FY2003. The FY2004 appropriation for the Trust is \$129.2 million and for AmeriCorps grants is \$312.1 million for a total of \$441.3 million and a total appropriation of \$581 million. The FY2005 request for the Trust was \$160.3 million and for AmeriCorps grants was \$291.9 million for a total of \$452.1 million of the overall request of \$642.2 million..

The House Appropriations Committee bill would have provided \$144.0 million for the Trust and \$290.0 million for AmeriCorps grants for a total of \$434.0 million and a total appropriation of \$572.0 million. The Senate Appropriations Committee bill would have provided \$150.5 million for the Trust and \$291.9 million for AmeriCorps grants for a total of \$442.4 million and a total appropriation of \$590.1 million. The Consolidated Appropriations Act provides \$144.0 million for the Trust and \$290.0 million for AmeriCorps grants for a total of \$434.0 million and a total

appropriation of \$577.9 million. The conference report states that the total funding level for AmeriCorps grants and the Trust will support 70,000 new volunteers.

## **Council on Environmental Quality and Office of Environmental Quality**

The Council on Environmental Quality (CEQ) has the statutory responsibility for environmental oversight of all federal agencies and is to lead interagency decision-making on all environmental matters. The Office of Environmental Quality provides professional and administrative staff for the CEQ.

## **Court of Appeals for Veterans Claims**

The U.S. Court of Appeals for Veterans Claims has exclusive jurisdiction to review decisions of the Board of Veterans' Appeals, and has the authority to decide relevant conflicts in the interpretation of law by VA and the Board of Veterans' Appeals. The court's decisions constitute precedent to guide subsequent decisions by that board.

## **Federal Citizen Information Center (FCIC)**

The center, administered through the General Services Administration (GSA), helps federal agencies distribute consumer information and promotes public awareness of existing federal publications through publication of the quarterly *Consumer Information Catalog*, and the *Consumer Action Handbook*. The center also operates a nationwide toll-free telephone assistance program as well as the FirstGov.gov website.

## **Federal Deposit Insurance Corporation (FDIC)**

The FDIC's Office of the Inspector General is funded from deposit insurance funds, the IG has no direct support from federal taxpayers. Before FY1998, the amount was approved by the FDIC Board of Directors; the amount is now directly appropriated to ensure the independence of the IG office.

## **Interagency Council on the Homeless**

The Interagency Council on the Homeless (ICH) is an independent agency established by the McKinney-Vento Homeless Assistance Act of 1987, to oversee the efforts of federal agencies and others involved in addressing the issues of homelessness.

## **National Credit Union Administration (NCUA)**

The NCUA is an independent federal agency that charters, insures, and regulates credit unions. It is funded entirely by those institutions. The Community Development Revolving Loan Fund (CDRLF) is administered by the National Credit Union Administration and funded by Congress through this bill. The fund makes low-interest loans and technical assistance grants to low-income credit unions.

The Central Liquidity Facility (CLF) is a mixed ownership government corporation managed by the National Credit Union Administration. The CLF was established to improve the general financial stability of credit unions by serving as a lender of last resort to credit unions experiencing unusual or unexpected liquidity shortfalls. The CLF can finance loans using its

assets, and it can also borrow from the Federal Financing Bank to meet liquidity demands. The borrowing limit is specified by language in the VA-HUD appropriations bill. Congress also determines the level of CLF operating expenses, which are not funded through appropriations but by earned income.

## **National Institute of Environmental Health Sciences**

This Institute is within the National Institutes of Health, administered by the Department of Health and Human Services (HHS).

## **Neighborhood Reinvestment Corporation (NRC)**

The NRC leverages funds for reinvestment in older neighborhoods through community-based organizations often called Neighborhood Housing Services. Together they form the NeighborWorks network. Among projects supported by NRC financing are lending activities for home ownership by low-income families. Nationwide, there are 226 of these organizations, serving over 2,300 communities in 49 states, the District of Columbia, and Puerto Rico, with 70% of the people served living in very low and low-income brackets.

## **Office of Science and Technology Policy**

The Office of Science and Technology Policy coordinates science and technology policy for the White House. The office provides scientific and technological information, analysis and advice to the President and the executive branch, and reviews and participates in the formulation of national policies affecting those areas.

## **Selective Service System (SSS)**

The SSS was created to supply manpower to the U.S. Armed Forces during time of national emergency. Although the Armed Forces have recruited personnel through voluntary enlistment incentives since 1973, the SSS remains the primary vehicle for conscription should it become necessary. In 1987, the SSS was given the task of developing a post-mobilization health care system that would assist with providing the Armed Forces with health care personnel in time of emergency.

## **Commission on National Moment of Remembrance**

The White House Commission on the National Moment of Remembrance was created by P.L. 106-579 to enhance the commemoration of Memorial Day and to encourage acts of remembrance throughout the year. The \$250,000 requested in the budget submission was included in the Consolidated Appropriations Act.

## **Selected Websites**

Federal Citizen Information Center (FCIC)

<http://www.pueblo.gsa.gov> and <http://www.info.gov/>

Environmental Protection Agency (EPA), Summary and Justification of Budget

<http://www.epa.gov/ocfopage>

Corporation for National and Community Service

<http://www.cns.gov/>

Department of Housing and Urban Development (HUD)

<http://www.hud.gov>

National Aeronautics and Space Administration (NASA)

<http://www.hq.nasa.gov>

National Science Foundation (NSF)

<http://www.nsf.gov>

Office of Management and Budget (OMB)

<http://www.whitehouse.gov/omb/>

Department of Veterans Affairs (VA)

<http://www.va.gov>

## **Additional Reading**

CRS Report RL31804, *Appropriations for FY2004: VA, HUD and Independent Agencies*, by Richard Bourdon and Paul Graney.

### **HUD**

CRS Report RL32062, *Housing Issues in the 108<sup>th</sup> Congress*, by E. Richard Bourdon.

CRS Report RL30486, *Housing the Poor: Federal Programs for Low-Income Families*, by Morton J. Schussheim.

CRS Report RL31930, *The Housing Choice Voucher Program: Background, Funding, and Issues in the 108<sup>th</sup> Congress*, by Maggie McCarty.

CRS Report RS20704, *Housing Opportunities for Persons with AIDS (HOPWA)*, by Maggie McCarty.

CRS Report RL30442, *Homelessness: Recent Statistics, Targeted Federal Programs, and Recent Legislation*, by M. Ann Wolfe; updated by Maggie McCarty and Christopher E. Carter.

### **EPA**

CRS Issue Brief IB10114, *Brownfields and Superfund Issues in the 108<sup>th</sup> Congress*, by Mark Reisch.

CRS Issue Brief IB10108, *Clean Water Act Issues in the 108<sup>th</sup> Congress*, by Claudia Copeland.

### **NSF**

CRS Report 95-307, *U.S. National Science Foundation: An Overview*, by Christine M. Matthews.

CRS Report RS21267, *U.S. National Science Foundation: Major Research Equipment and Facility Construction*, by Christine M. Matthews.

CRS Report RL30930, *U.S. National Science Foundation: Experimental Program to Stimulate Competitive Research (EPSCoR)*, by Christine M. Matthews.

## CNCS

CRS Report RS20420, *AmeriCorps and Other Service Programs: Description and Funding Levels*, by Ann M. Lordeman.

CRS Report RL30186, *Community Service: A Description of AmeriCorps, Foster Grandparents, and Other Federally Funded Programs*, by Ann M. Lordeman and Alice D. Butler.

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Division abbreviations: DSP=Domestic Social Policy; G&F=Government and Finance; RSI=Resources, Science and Industry.

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